

**Internal Audit**

**Fiscal Year 2018  
Internal Audit Annual Plan**

**#17-302**

October 2017



Department of Information Resources

## **Internal Audit Mission Statement**

Collaborate with DIR leadership to fulfill the agency's core mission by providing independent and objective audit services designed to add value and improve the effectiveness of risk management, control, and governance processes.

## **DIR Internal Audit**

Lissette Nadal, CIA, CISA, CRISC, Director

Cathy Sherwood, CPA, CITP, CISA, CTCM, Audit Project Manager

Steven C. Lazar, CIA, Staff Auditor

## Background

---

The Texas Internal Auditing Act (Texas Government Code 2102)<sup>1</sup> requires the DIR Director of Internal Audit to prepare an annual plan using risk assessment techniques, and that identifies the individual audits to be conducted during the year.

To comply with state law, DIR Internal Audit prepared this report that documents the agency's Fiscal Year 2018 Internal Audit Annual Plan. The DIR Board approved the annual plan in October 2017, and agreed Internal Audit has adequate and sufficient resources to effectively achieve the audit plan. The annual plan is published in the DIR Internal Audit Web Page located at <http://dir.texas.gov/View-About-DIR/Pages/Content.aspx?id=44>.

---

<sup>1</sup> Texas Government Code §2102: Internal Auditing

## Fiscal Year 2018 Internal Audit Annual Plan

The DIR Fiscal Year 2018 Internal Audit Annual Plan describes the priorities of the Internal Audit function for fiscal year 2018 which are aligned to the agency and Internal Audit goals and Internal Audit's goals. This plan resulted from the risk assessment techniques performed and was developed with input from the DIR Board and Executive Leadership Team (ELT).

The following Fiscal Year 2018 Internal Audit Annual Plan was approved by the DIR Board in October 2017.

Audit Project #	Audit Project Name/ Preliminary Objective(s)	Budgeted Hours*
18-100	<b>Assurance Audits – Tier 1 *</b>	
17-101	<b><i>DCS Vendor Management and Performance</i></b> (carried forward from Fiscal Year 2017) Objective: <ul style="list-style-type: none"> <li>To determine whether the data center services reported vendor performance complies with established service level agreements.</li> </ul>	180
17-102	<b><i>Network Security Operations</i></b> (carried forward from Fiscal Year 2017) Objectives: <ul style="list-style-type: none"> <li>To assess whether the operations of the DIR network security function are in compliance with applicable state law and regulations, contract requirements, and best practices.</li> <li>Assess the implementation status of the audit recommendations included in Report #13-105: CISO/ Network Security Operations Audit.</li> </ul>	300
-	<b><i>Data Center Services Compliance with the Texas Administrative Code</i></b> Preliminary Objective: <ul style="list-style-type: none"> <li>To assess whether the data center services are performed in accordance to the requirements of the Texas Administrative Code, Chapters 202 and 215.</li> </ul>	750
-	<b><i>TEX-AN Vendor Management and Performance</i></b> Preliminary Objective: <ul style="list-style-type: none"> <li>To assess whether the TEX-AN NG vendor(s) is being properly managed and performing in accordance to established service level agreements.</li> </ul>	750
	<b>Assurance Audits – Tier 2 *</b>	
-	Vendor Sales Reporting for Non-USAS Customers	-

## Fiscal Year 2018 Internal Audit Annual Plan

<b>Audit Project #</b>	<b>Audit Project Name/ Preliminary Objective(s)</b>	<b>Budgeted Hours*</b>
-	Hybrid Cloud Services Billing	-
<b>18-200</b>	<b>Consulting and Non-Audit Services</b>	
-	External Audit Coordination	200
-	Management Advisory Project (MAP)	80
-	Workgroups/ Governance Boards	100
-	Reserved for DIR Board and Executive Leadership Projects	275
<b>18-300</b>	<b>Required Projects</b>	
-	Follow-up on Audit Recommendations	350
-	Fiscal Year 2019 Internal Audit Risk Assessment/ Annual Plan	350
-	Fiscal Year 2018 Internal Audit Annual Report	40
-	Fiscal Year 2018 Internal Audit Annual Assessment	40
<b>18-400</b>	<b>Special Projects</b>	
-	External Assessment (Peer Review)	40
-	Risk Assessment Process Optimization	100

\* Budgeted hours allocated to the projects included in the plan are based on the total available hours calculated for three approved full time equivalent employees (FTEs). All auditable activities identified as high-risk activities during the risk assessment process were included as assurance audits in Tier 1 or Tier 2 of the Fiscal Year 2018 Internal Audit Annual Plan, based on the agency's risk appetite. However, due to limited resources no budgeted hours were allocated to conduct Tier 2 assurance audits. Tier 2 audits will be conducted by DIR Internal Audit if efficiencies are gained during the annual audit process. Otherwise, the residual risk will be re-assessed during the fiscal year 2019 Internal Audit Risk Assessment.

### Internal Audit Process

DIR Internal Audit implements the following audit process to execute the assurance audits included in the annual plan and to comply with auditing standards.

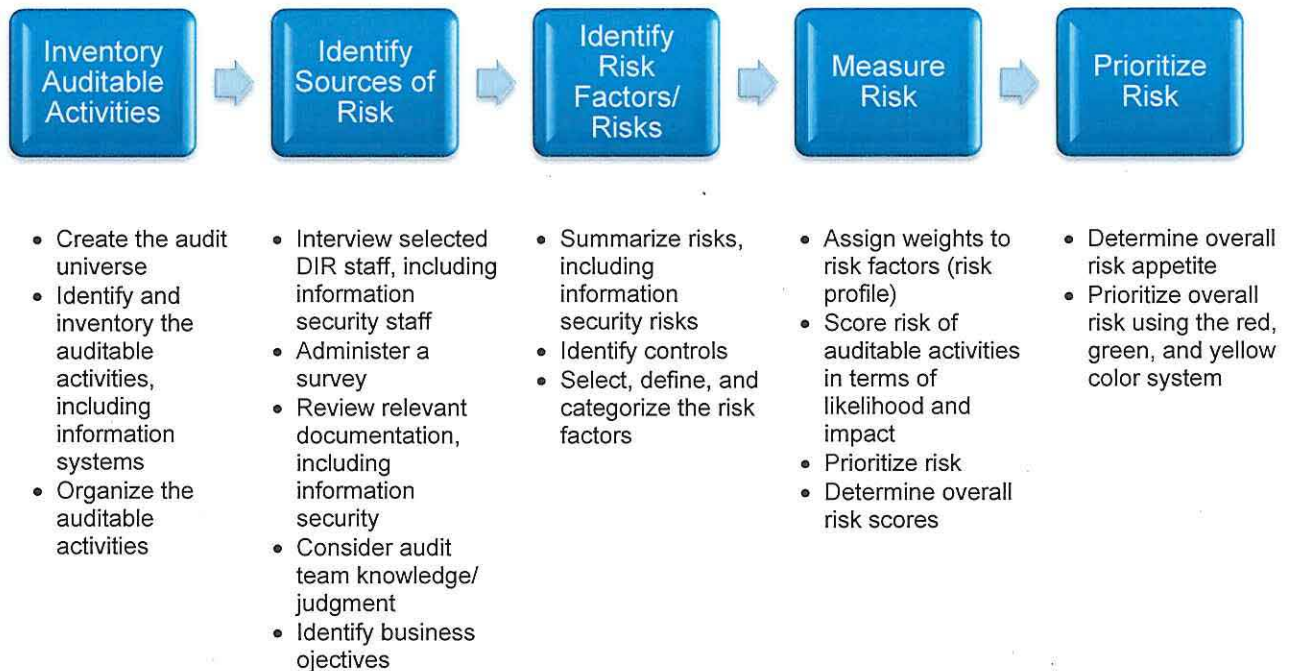


## Fiscal Year 2018 Internal Audit Annual Plan



## Risk Assessment Process

DIR Internal Audit implemented a risk assessment process consisting of a hybrid methodology that uses specific risks, common risk factors, and risk categories that are aligned to the agency's auditable activities and risk appetite.



## Fiscal Year 2018 Internal Audit Annual Plan

The following table depicts the risk categories and risk factors selected to assess, based on likelihood and impact, each auditable activity included in the risk assessment used to develop the annual plan.

Risk Categories	Definitions
Strategic	<p>The possibility of an event occurring that will enhance or threaten the agency's prosperity and existence in the long term.</p> <ul style="list-style-type: none"><li>• Negative Publicity/ Loss of Credibility</li><li>• Poor Outcome to Customers</li></ul>
Operational	<p>The possibility of an event occurring that will influence the ability of the agency to achieve its objectives through the transformation of inputs into outputs.</p> <ul style="list-style-type: none"><li>• Lack of Adequate Resources</li><li>• Lack of Operational Stability</li><li>• Significant Dependence on Strategic Vendors and/or Contractors</li><li>• Contractor Inadequacy</li></ul>

In addition, a review of the audit coverage ( $\leq 3$  years) for each auditable activity was conducted to assist in determining the overall risk. Consideration of information technology risks was integrated into the risk assessment process and addressed in terms of the functionality, confidentiality, integrity, availability, and reliability of the data created, processed, and stored in the agency's information systems.

The DIR risk-based audit plan was aligned to the agency's goals and risk appetite, and included input from the DIR Board and Executive Leadership Team (ELT). The DIR Board and ELT understand their responsibilities regarding risk and the importance of these risks exposures to the agency's governance, operations, and information technology.

Department of Information Resources  
Internal Audit

**Fiscal Year 2018 Internal Audit Annual Plan**

**APPROVAL:**

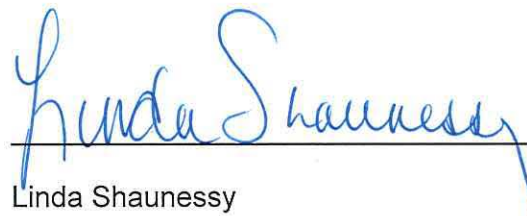
A handwritten signature in black ink, appearing to read 'Lissette Nadal', is written over a horizontal line.

Lissette Nadal

DIR Director of Internal Audit

10/23/17

Date

A handwritten signature in blue ink, appearing to read 'Linda Shaunessy', is written over a horizontal line.

Linda Shaunessy

DIR Board Chair/ Finance and Audit Subcommittee Chair

10/26/2017

Date